

Message Text

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TAGS: BR, ECON, SOCI
SUBJ: BUSINESS LEADERS CALL FOR ECONOMIC AND SOCIAL CHANGES

SUMMARY

A GROUP OF EIGHT BRAZILIAN BUSINESS LEADERS RELEASED ON JUNE 27 A STATEMENT, THE "FIRST BUSINESSMEN'S DOCUMENT", CALLING FOR SUBSTANTIVE CHANGES IN BRAZIL'S ECONOMIC AND SOCIAL STRUCTURE. THE DOCUMENT WAS LARGELY DEVOTED TO ECONOMIC ISSUES BUT ALSO ARGUED THAT ECONOMIC AND SOCIAL DEVELOPMENT IS ONLY POSSIBLE UNDER A DEMOCRATIC REGIME. THE SIGNERS FIRMLY STATED THEIR BELIEF IN THE SUPERIORITY OF DEMOCRACY AS SYSTEM FOR ACHIEVING HUMAN POTENTIAL. THE NEW DOCUMENT IS AN IMPORTANT DECLARATION OF PRINCIPLES BY LEADING PROGRESSIVE BUSINESSMEN. OTHER BUSINESS GROUPS HAVE ARGUED FORCEFULLY AGAINST CHANGES IN THE CURRENT SYSTEM. END SUMMARY.

1. DOCUMENT PREPARED BY GROUP OF BUSINESS LEADERS:
THE "FIRST BUSINESSMAN'S DOCUMENT" IS THE PRODUCT OF A SERIES OF MEETINGS SPONSORED BY THE "A GAZETA MERCANTIL", BRAZIL'S EQUIVALENT OF THE WALL STREET JOURNAL. THE PARTICIPANTS IN THE FORUM WERE 10 BUSINESS LEADERS SELECTED

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THROUGH A NATIONWIDE CANVASS OF 5,000 BUSINESSMEN BY THE GAZETA MERCANTIL: CLAUDIO BARDELLA (BARDELLA, INDUSTRIAS MECANICAS), SEVERO GOMES (FORMER MINISTER OF INDUSTRY AND COMMERCE), JOSE MINDLIN (METAL LEVE), ANTONIO ERMIRIO DE MORAES (GRUPO VOTORANTIM), PAULO VILLARES (GRUPO VILLARES), AUGUSTO DE AZEVEDO ANTUNES (CAEMU), PAULO VELLINHO (SPRINGER-ADMIRAL), LAERTE SETUBAL FILHO (DURATEX), AMADOR AGUIAR

(BRADESCO) AND JORGE GERDAU JOHANNPETER (GRUPO GERDAU). THE DOCUMENT WAS PREPARED AND SIGNED BY ALL EXCEPT AMADOR AGUIAR AND AUGUSTO DE AZEVEDO ANTUNES. SEVEN OF THE TEN ARE FROM SAO PAULO, TWO FROM RIO GRANDE DO SUL AND ONE IS FROM RIO DE JANEIRO.

2. DOCUMENT CALLS FOR INDUSTRIAL DEVELOPMENT:

THE DOCUMENT CALLS ON THE GOVERNMENT TO DEFINE AN INDUSTRIAL POLICY WHICH WILL PROMOTE RAPID DIVERSIFICATION. THE GOVERNMENT SHOULD ESTABLISH A "HIERARCHY OF PRIORITIES", CARRY OUT IMPORT SUBSTITUTION PROGRAMS EFFICIENTLY, AND ASSURE THAT THE CONSUMER GOODS INDUSTRY EXPANDS IN RHYTHM WITH THE BASIC INDUSTRY SECTOR. THE DOCUMENT IDENTIFIES THREE PRINCIPAL PROBLEMS:

- A PRIVATELY OWNED NATIONAL INDUSTRY OF "WORRISOME FRAGILITY";
- GOVERNMENT OWNED INDUSTRY "WHICH HAS ESCAPED FROM THE CONTROLS OF SOCIETY";
- FOREIGN ENTERPRISE WHICH IS NOT DISCIPLINED BY ADEQUATE AND CLEAR RULES.

3. PROPOSED SOLUTIONS:

THE STRENGTHENING OF NATIONAL (I.E., PRIVATE) INDUSTRY DEPENDS ON THREE POINTS:

- CREATION OF MECHANISMS OF CAPITALIZATION;
- AVAILABILITY OF TECHNOLOGY AND CRITERIA FOR LIMITED OFFICIAL USE

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ITS TRANSFER;

- A "CORRECT POLICY FOR REGULATING PUBLIC EXPENDITURES AND ACTIVITIES OF GOVERNMENT ENTERPRISES. THE LACK OF DOMESTIC SOURCES FOR LONG TERM CAPITAL FINANCING IS DEPLORED AND CITED AS THE REASON FOR THE INFLUX OF FOREIGN LOANS. HEAVY FOREIGN BORROWING "EARERLY PROMOTED" BY THE GOVERNMENT, THE SYSTEMATIC INCREASE IN RESERVES, AND THE ACCOMPANYING INCREASE IN THE MONEY SUPPLY ARE BLAMED FOR FUELING INFLATION, RAISING INTEREST RATES, INCREASING BUSINESS COSTS IN GENERAL AND PREVENTING GREATER DEVALUATION OF THE CRUZEIRO. CONSEQUENTLY EXPORTS ARE STAGNATING-- WHILE THE WORLD MARKET GROWS EVEN MORE PROTECTIONIST. THE DOCUMENT CALLS FOR A THOROUGH FINANCIAL REFORM INCLUDING A REEVALUATION OF THE ROLE OF FOREIGN DEBT. EXISTING CREDIT AND PRICE CONTROLS ARE ALSO CRITICIZED FOR CAUSING UNCERTAINTY AND LOW PRODUCTIVITY IN THE AGRICULTURAL SECTOR.

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4. TECHNOLOGY TRANSFER ADVOCATED:

CHANGES IN GOVERNMENT POLICY REGARDING TECHNOLOGY TRANSFER, FOREIGN INVESTMENT AND STATE-OWNED ENTERPRISES ARE ALSO CALLED FOR, INCLUDING MORE FLEXIBLE GOVERNMENT CRITERIA FOR COORDINATION OF TECHNOLOGY TRANSFER WITH INVESTMENT POLICY. WHILE ACKNOWLEDGING FOREIGN INVESTMENTS "UNDENIABLE ROLE" IN INDUSTRIAL DEVELOPMENT, A MORE SELECTIVE POLICY IS SUGGESTED WHICH WOULD ASSURE THAT FOREIGN OWNED ENTERPRISES WOULD PLAY A "COMPATABLE ROLE". THE GOVERNMENT IS URGED TO REDOUBLE ITS EFFORTS TO STIMULATE SMALL AND MEDIUM INDUSTRY THROUGH FINANCIAL AND TECHNICAL ASSISTANCE AND A STRETCHING OUT OF TAX PAYMENTS.

5. COLLECTIVE BARGAINING SUPPORTED:

THE DOCUMENT STATES THAT "ECONOMIC DEVELOPMENT IS ACCOMPANIED BY PROFOUND SOCIAL INEQUALITIES" AND THAT THE SITUATION HAS BECOME SERIOUS, RISKING SOCIAL STABILITY. THERE IS A CALL FOR A WAGE POLICY BASED ON THE WORKERS' PURCHASING POWER AND PRODUCTIVITY GAINS. REMAINING DIFFERENCES CAN BE TAKEN CARE OF THROUGH COLLECTIVE BARGAINING NEGOTIATIONS, WHICH REQUIRE FREE

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ORGANIZATIONS OF BOTH BUSINESSMEN AND WORKERS.

6. FINANCIAL AND TAX REFORMS:

INCREASED PUBLIC INVESTMENT IN SOCIAL INFRASTRUCTURE IS URGED, AS WELL AS A REVISION OF THE TAX SYSTEM AND BETTER GOVERNMENT BUDGET MANAGEMENT. TAX REFORM SHOULD BE AIMED AT MORE EQUITABLE TAXES INCLUDING PROGRESSIVE TAXATION OF CAPITAL GAINS. WHILE GOVERNMENT BORROWING IS ACKNOWLEDGED AS A "VIALE INSTRUMENT" FOR OBTAINING NEEDED CAPITAL, THE PUBLIC DEBT SHOULD BE REDUCED THROUGH BETTER BUDGET MANAGEMENT TO REMOVE IT FROM "MESSY SPECULATION". PUBLIC EXPENDITURES, ESPECIALLY IN URBAN INFRASTRUCTURE, ARE RECOGNIZED AS AN AID TO FURTHER ECONOMIC EXPANSION BY BROADENING THE INTERNAL MARKET FOR CONSUMER AND CAPITAL GOODS.

7. SUPPORT FOR DEMOCRATIC SYSTEM:

THE DOCUMENT ENDS WITH A STRONG STATEMENT FAVORING A DEMOCRATIC SYSTEM: "WE BELIEVE THAT ECONOMIC AND SOCIAL DEVELOPMENT AS WE CONCEIVE IT, WILL ONLY BE POSSIBLE WITHIN A POLITICAL FRAMEWORK THAT PERMITS A WIDE PARTICIPATION BY ALL." IT NOTES THAT ONLY A DEMOCRATIC REGIME IS CAPABLE OF FOSTERING FULL EXPRESSION OF INTERESTS AND OPINIONS AND STILL HAVE SUFFICIENT FLEXIBILITY TO ABSORB SOCIAL TENSIONS. A FIRM BELIEF IS EXPRESSED IN THE VIABILITY OF A FREE MARKET ECONOMY BASED ON INSTITUTIONS PROTECTING THE RIGHTS OF THE CITIZEN AND GUARANTEEING LIBERTY. "BUT WE DEFEND DEMOCRACY ABOVE ALL THE BEING A SUPERIOR SYSTEM OF LIFE, THE MOST APPROPRIATE FOR THE DEVELOPMENT OF THE HUMAN POTENTIAL."

8. COMMENT: THE DOCUMENT IS REPRESENTATIVE OF THE LIMITED OFFICIAL USE

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THINKING OF ALRGE NUMBER OF BRAZILIAN BUSINESSMEN AND REFLECTS GROWING DISSATISFACTION WITH THE CENTRAL GOVERNMENT'S MANAGEMENT OF THE ECONOMY. ALTHOUGH THE DOCUMENT MOSTLY COVERS ISSUES RELATED TO ORGANIZATION OF THE ECONOMY, IT PURPOSEFULLY DIRECTS PART OF ITS APPEALNTO OTHER GROUPS. THUS IT ADVOCATES FREE LABOR UNIONS, A DEMOCRATIC REGIME WHICH WOULD GUARANTEE PARTICIPATION OF ALL ELEMENTS OF THE SOCIETY IN THE FORMULATION OF POLICIES, AND GOVERNMENT SOCIAL POLICIES TO IMPROVE THE HEALTH AND EDUCATIONAL LEVEL OF THE PEOPLE.

9. IN POLITICAL TERMS, THE DOCUMENT IS A STATEMENT OF PRINCIPLES BY RECOGNIZED BUSINESS LEADERS. IT MARKS AN IMPORTANT DEVELOPMENT IN THE CONTESTS WHICH HAVE BEEN GOING ON WITHIN THE GOB REGARDING THE ROLE OF THE BUSINESS COMMUNITY IN THE FORMULATION OFNPUBLIC POLICY, AND WITHIN THE BUSINESS COMMUNITY AS TO WHO CAN SPEAK AS THE LEGITIMATE REPRESENTATIVE OF THE GROUP. A CLEAR

DIVISION HAS DEVELOPED BETWEEN PROGRESSIVE BUSINESSMEN, TYPIFIED BY THOSE WHO SIGNED THIS DOCUMENT, AND THOSE WHO RESIST CHANGE IN THE PRESENT SYSTEM OF GOVERNMENTAL CONTROL OVER INDUSTRY AND LABOR. THE LATTER GROUP IS

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TYPIFIED BY THE LEADERS OF THE SAO PAULO FEDERATIONNOF INDUSTRIES (FIESP), WHO SENT A DOCUMENT ARGUING AGAINST POLITICAL REFORMS TO GENERAL FIGUEIREDO EARLY IN JUNE. MANY SAO PAULO BUSINESSMEN QUESTION THE REPRESENTATIVE-NESS OF THE FIESP LEADERSHIP, WHICH IS ELECTED ON THE BASIS OF ONE VOTE FOR EACH MEMBER ASSOCIATION, WITHOUT REGARD TO THE NUMBER OR IMPORTANCE OF THE FIRMS COMPOS-ING THE ASSOCIATION. THE EIGHT SIGNERS OF THE FIRST BUSINESSMEN'S DOCUMENT, HOWEVER, CAN CLAIM LEGITIMACY ON THE BASIS OF THEIR ELECTION BY 5,000 OF THEIR PEERS THROUGHOUT THE COUNTRY. THEIR CHOICE OF THE LUNCHEON HONORING THEIR ELECTION AS THE OCCASION FOR LAUNCHING THE DOCUMENT IS A CLEAR INDICATION OF THE POLITICAL INTENT OF THEIR ACTION.

10. EMBASSY COMMENT: QUOTE
AMBASSADOR HAD OCCASION TO MEET FOUR OF THE EIGHT SIGNERS OF THE "FIRST BUSINESSMEN'S DOCUMENT" IN SAO PAULO. HE COMMENTED TO ONE OF THEM THAT, WHILE HE AGREED ON DEMOCRATIC OPENING, DOCUMENT WAS REALLY ASKING GOVERNMENT TO RESERVE MARKET FOR BRAZILIANS AND INVITING INCREASED RATHER THAN LESS GOVERNMENT

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INTERVENTION IN THE ECONOMY. INTERESTINGLY ENOUGH,
THIS POINT HAS NOT GONE UNOBSERVED BY THE MINISTER
OF INDUSTRY AND COMMERCE CALMON DE SA WHO EXPRESSED THE
REACTION TO THE AMBASSADOR DURING HIS CALL ON THE
MINISTER ON JUNE 30. THAT SAME DAY JORNAL DE BRASILIA
CARRIED AN ARTICLE IN WHICH CALMON DE SA, WHILE
EXPRESSING GENERAL SATISFACTION WITH THE DOCUMENT,
SPECIFICALLY REFERS TO HIS RESERVATIONS. HE IRONICALLY
NOTED THAT RESERVING THE MARKET IS INCOMPATIBLE WITH
OTHER POINTS IN DOCUMENT: THAT MEASURE ITSELF
WOULD IMPLY STRONG INTERVENTION OF THE STATE IN THE
ECONOMY, WHICH THE BUSINESSMEN PROFESS TO BE AGAINST.
END QUOTE.
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Message Attributes

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